

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

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March 23, 2004

FROM: **NORM KANOLD**, Interim Assistant County Administrator
Economic Development and Public Services Group

**SUBJECT: AMENDMENT NO. 1 TO AGREEMENT NO. 2000-77--PROPERTY TAX SHARING
AGREEMENT WITH THE CITY OF CHINO HILLS**

RECOMMENDATION: Approve Amendment No.1 to Agreement No. 2000-77 (City of Chino Hills Agreement A00-14, Agreement For Transfer of Property Tax Revenues), which modifies the ad valorem property tax allocation percentage split between the County of San Bernardino and the City of Chino Hills, effective July 1, 2003.

BACKGROUND INFORMATION: On June 28, 1999, Senate Bill 166 was signed by the Governor and filed with the Secretary of State. SB 166, which is set forth at Stats. 1999, Chap. 45, authorizes the County and City, subject to certain requirements and limitations, to enter into a written agreement for the annual transfer from the County to the City of a specified percentage of certain additional ad valorem property tax revenues that are attributable to certain classes of improvements to commercial or industrial properties that are identified in the agreement.

On February 8, 2000, the County and City entered into an agreement as authorized by SB 166. The Agreement provides that effective July 1, 2000 to June 30, 2037, the portion of the 1% property tax received from any development-related increase in assessed valuation on specified commercial and industrial zoned property received by the City and County shall be split equally. The Agreement effectuates the property tax split by raising the City's property tax allocation for such taxes by 5.43% (from 3.9% to 9.33%), and by lowering the County's property tax by 5.43% (from 14.7% to 9.33%). This agreement was seen as having the potential to benefit both entities, since this would provide an incentive for development to locate within the City/County that might otherwise go to neighboring counties.

On September 30, 2003, the Board approved an amendment to County Policy on property tax transfers for annexations to provide that for future annexations to all incorporated cities, cities shall receive a minimum of 7% of the property tax revenue collected from the annexed areas. This policy amendment impacted six (6) of the twenty four (24) incorporated cities within San Bernardino County that had a property tax sharing rate of less than 7%, and included the City of Chino Hills. By establishing a minimum property tax sharing rate of 7% for all cities, the intention was to encourage responsible, sustainable and orderly growth. Also, in connection with that action, the Board directed the County Administrative Officer to negotiate an amendment to County Contract No. 2000-77 with the City of Chino Hills to modify the existing property tax split between the City and the County on specified commercial and industrial property in that City, so that said property tax revenue would accrue entirely to the City.

Record of Action of the Board of Supervisors

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This contract amendment was intended to ensure equity for the City in consideration of the fact that the City has no sphere-of-influence lands that could be annexed; therefore, the 7% minimum tax share for new annexations would otherwise not apply to the City. The Board further directed that the contract amendment be brought back for approval.

In response to the September 30, 2003, Board action, staff has negotiated an amendment to Agreement No. 2000-77. This amendment modifies, on a prospective basis, the allocation percentage so that the City receives all of the County's share of ad valorem property tax received from any development-related increase in the assessed valuation of the specified commercial and industrial zoned property. The City approved the Amendment on January 13, 2004. Such a modification is expressly permitted under SB 166, Section 1(b)(2) without a change in state law and approval of the Recommendation authorizes Amendment No.1 to Agreement No. 2000-77 with the City of Chino Hills for this purpose, effective July 1, 2003.

REVIEW AND APPROVAL BY OTHERS: The recommendation has been reviewed and approved by the County Administrative Office (Wayne Thies, Administrative Analyst III, 387-5409, on March 9, 2004, and Tom Forster, Administrative Analyst III, 387-4635, on March 10, 2004); County Counsel (Deputy Kevin Norris, 387-5441) on March 10, 2004; and the Auditor/Controller-Recorder Office (Robert Wright, Property Tax Manager, 386-8929) on March 11, 2004.

FINANCIAL IMPACT: Approval of the recommended property tax sharing amended agreement would result in increased property tax revenues for the City of Chino Hills. It is projected that approximately \$20,000 of property taxes generated in FY 2003/04 will be redistributed from the County to the City as a result of this action. Property tax revenue increases beyond FY 2003/04 are currently undeterminable and will depend upon the extent of future commercial and industrial development-related assessed valuation increases.

SUPERVISORIAL DISTRICT(S): 4th.

PRESENTER: Norman A. Kanold, Interim Assistant County Administrator, 387-4532.